

**CONSOLIDATED AUDIT GUIDE
AUDIT OF DISASTER ASSISTANCE GRANT PROGRAMS**

Revised March 2001

Table of Contents

BACKGROUND3

OBJECTIVES, SCOPE, AND METHODOLOGY5

PLANNING:

- I. Planning Work at FEMA-General6
- II. Planning Work at FEMA-Public Assistance (PA).....8
- III. Planning Work at FEMA-Individual & Family Grant (IFG).....10
- IV. Planning Work at FEMA- Hazard Mitigation (HM).....11

FIELD WORK:

- V. Grantee Entrance Conference.....12
- VI. Internal Controls.....13
- VII. Financial Reporting.....15
- VIII. Public Assistance (PA).....17
- IX. Hazard Mitigation (HM).....24
- X. Individual & Family Grant (IFG).....30
- XI. Procurement33
- XII. Property Management.....34
- XIII. Audit Closeout and Reporting.....37

The Federal Emergency Management Agency's (FEMA's) Office of Inspector General (OIG) developed this audit guide. This revised edition, published March 2001, is to be used for audits of the Disaster Assistance Grant Program at the state-level.

BACKGROUND

The Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended, governs presidentially declared disasters. Following a major disaster declaration, the Act authorizes FEMA to provide various forms of disaster relief to the States, as grantees; and, to state agencies, local governments, eligible private-nonprofit organizations, Indian tribes and Alaska Native Villages as sub-grantees. The 44 CFR (Code of Federal Regulations) provides further guidance relative to the requirements and administration of disaster relief grants.

On October 30, 2000, the President signed the Stafford Act amendments into law (Pub. L. 106-390). The amendments are effective only for disasters declared after October 2000. Some provisions of the Act will be delayed until regulations are published. The auditors should be aware of these changes and their status.

FEMA has three major classifications of disaster relief grants and these are the focus of this audit: Public Assistance Grants, Individual and Family Grants, and Hazard Mitigation Grants.

Public Assistance (PA) Grants are awarded for the repair/replacement of facilities, debris removal, and emergency protective measures necessary as a result of a disaster. To receive a public assistance grant, a designated representative of the organization must sign a Notice of Interest and must complete a Project Worksheet (PW). For "older" disasters, what is now called a PW was called a Damage Survey Report (DSR). For disasters under the "older" procedures, after the applicant completed a Notice of Interest, FEMA scheduled an inspection of the damaged facilities. Inspection teams consisted of FEMA, state, and local officials. The inspection team prepared the DSR identifying the eligible scope of the work and the estimated cost for the project. Both DSRs and PWs are sent to FEMA for review and approval. FEMA's approval serves as the basis for obligating Public Assistance Grant funds.

Individual and Family Grants (IFG) are awarded to individuals and families who, as a result of a disaster, are unable to meet disaster-related necessary expenses and needs. To obtain assistance under this grant, the Governor of the State must express the intent to implement the program. This expressed intent includes an estimate of the size and the cost of the program. The grantee has the responsibility for monitoring the program to ensure that the objectives and the requirements of the program are met. FEMA provides an administrative fee to the grantee for administrative costs that cannot exceed 5 percent of the Federal grant program payments. However, the recent revisions to the Stafford Act permit FEMA to implement and administer the program without any involvement by the State.

Hazard Mitigation (HM) Grants are awarded to states to help reduce the potential of future damages to facilities. The State must submit a letter of intent to participate in the program, and sub-grantees must submit a hazard mitigation grant proposal. The State is responsible for setting priorities for the selection of specific projects, but final approval must come from FEMA. FEMA awards sub-grants to local governments, eligible private non-profit organizations, Indian Tribes, and Alaska Native Villages. The amount of assistance available under this program must not exceed 15 percent¹ of the total assistance provided under the other assistance programs.

The **Administrative funds** provided to the grantee before the October 30, 2000 could consist of three types of assistance to cover the costs of overseeing the Public Assistance and Hazard Mitigation Grant Programs. First, an administrative allowance was provided to cover the “extraordinary” costs directly associated with the management of the program, such as overtime wages and travel costs. This allowance was determined by using a statutorily mandated sliding scale with payments ranging from one-half to three percent of the total amount of Federal disaster assistance provided to the grantee. Second, FEMA could award an administrative allowance referred to as “State Management Grants” on a discretionary basis to cover the State’s ordinary or regular costs directly associated with the administration of the programs. Third, FEMA could award an administrative allowance for activities indirectly associated with the administration of the programs.

However, these three types of administrative funding were significantly changed for disasters that occurred after October 30, 2000 (See recent amendments to Stafford Act).

¹ Recent changes to the Stafford Act increased this percentage from 15 percent to 20 percent.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this audit is to determine if the State (grantee) administered the FEMA disaster assistance programs in accordance with applicable Federal regulations, properly accounted for and expended Federal program funds, and submitted accurate financial expenditure reports for the Public Assistance Grant Program, the Individual and Family Grant Program, and the Hazard Mitigation Grant Program.

Using this audit guide, auditors are to review disasters declared under each grant program that were not closed by September 30th of the most recent fiscal year. If the grantee's procedures and practices changed during this period, auditors should expand their initial listing of disasters to include the review of procedures and practices for more current disasters as well.

The auditors should obtain and review A-133 audit reports on the grantee and/or the State as a whole as soon as possible and build upon such work to the extent possible. The preliminary fieldwork should start at the applicable FEMA Regional Office having jurisdiction over the grantee's disaster activities. This work will include interviews with the appropriate FEMA officials to gain an understanding of the internal controls in place as well as to determine, among other things, current issues and concerns relative to the grantee's administration and management of the disaster programs. Similar audit steps will subsequently be performed at the grantee's office and, as necessary, at selected sub-grantee locations. At the grantee and sub-grantee levels, appropriate inquiries and transaction testing will be performed to the extent and degree deemed necessary to satisfy the objectives of this audit.

The work will be conducted in accordance with applicable Government Auditing Standards as prescribed by the Comptroller General of the United States (Yellow Book—1994 Revision). The contractor is not engaged to, and will not perform a financial statement audit, the objective of which would be to express an opinion on specified elements, accounts, or items. The type of audit to be performed is a financial-related audit, as defined by the Yellow Book.

Audit Steps	Initials	W/P
I. PLANNING WORK AT FEMA – GENERAL		
<p>A. Audit staff should familiarize themselves with:</p> <ol style="list-style-type: none"> 1. This FEMA-OIG Audit Guide governing the audit of the Disaster Assistance Grant Programs; 		
<ol style="list-style-type: none"> 2. The name of the FEMA-OIG Task Officer and Task Monitor for the contract; and 		
<ol style="list-style-type: none"> 3. The laws, rules and regulations governing the FEMA grant programs (the Stafford Act and 44 CFR). 		
<p>B. Contact the OIG’s Task Monitor</p> <ol style="list-style-type: none"> 1. Arrange for an initial meeting with the Task Monitor, as named on the contract, to confirm the date of the entrance conference with the FEMA Regional Office and also to select a date for the entrance conference with the grantee. 2. Discuss with the Task Monitor any questions regarding contract requirements and/or audit fieldwork and reporting processes. 3. Obtain from the Task Monitor audit reports issued by the FEMA-OIG covering recent activities of the grantee and/or its sub-grantees. 		
<p>C. Hold an entrance conference with FEMA officials to discuss the audit's objectives and areas of concern as well as to establish contact point(s) within the Regional Office. At a minimum, the Regional Director, Response & Recovery Division Chief, the Operations Support Division Director, and the Mitigation Division Chief should attend the meeting. Where applicable, also request that the Federal Coordinating Officer and the Disaster Project Closeout Coordinator attend the meeting.</p>		

Audit Steps	Initials	W/P
<p>D. Information Gathering at the FEMA Regional Office</p> <p>1. Request background information on the grants and specific data on any areas of concern regarding the grants.</p>		
<p>2. Each disaster declaration includes one or more of the three FEMA grant programs (Public Assistance, Individual and Family, and Hazard Mitigation). Document which programs are included under disasters in the audit scope and determine if there have been any reviews performed on these programs by FEMA’s program officials, FEMA-OIG, or other Federal and State officials.</p>		
<p>3. For each disaster included in the audit scope, obtain from the Region’s Operation Support Division a copy of the financial reports submitted by the grantee, as of September 30th for the most recent fiscal year.</p>		
<p>4. Interview the Operations Support Division Director to determine the Region’s policies and procedures regarding the use of the grantee’s financial reports.</p> <p>a. Most importantly, determine during the interview whether the grantee’s Financial Status Report (SF Form 269 or FEMA Form 20-10) serves as the basis to record program outlays (expenditures) in FEMA official accounting records.</p>		
<p>b. For each grant, request the Operations Support Division Director to provide a printout from FEMA’s official accounting records showing program outlays (expenditures) recorded in the system as of September 30th for the most recent fiscal year within the audit scope.</p>		
<p>5. Finally, verify that such amounts recorded in FEMA’s official accounting system are consistent with the Federal share of program outlays (expenditures) reported by the grantee on its financial reports.</p>		

Audit Steps	Initials	W/P
6. Evaluate and fully document, in support of a management letter to the Regional Director, discrepancies found between the expenditures reported by the grantee and amounts recorded in FEMA’s official accounting system.		
II. PLANNING WORK AT FEMA - PUBLIC ASSISTANCE (PA)		
1. For each PA grant, review the FEMA-State Disaster Assistance Agreement (44 CFR 206.44) and the FEMA-approved administrative plan for the grant [44 CFR 206.207(b)] and, as deemed appropriate, obtain a copy of such documents for follow-up work at the grantee’s office.		
2. Review PA correspondence files and program guideline documents for additional background data concerning the grants. Document any questions, concerns, unclear matters, and potentially significant problems for follow-up.		
3. Interview FEMA officials and review applicable records to develop an understanding of the Regional Office’s process for reviewing and approving PA grant projects, and overseeing the State’s disbursing of grant funds, monitoring sub-grantee activities, closing projects, and finally closing out the grant.		
4. For each PA grant, obtain Management Information System reports (from ADAMS or NEMIS as applicable) to identify:		
a. the number of projects/sub-grantees approved;		
b. the amount of funds approved, disbursed, and available;		
c. all major categories of funding; and		
d. other facts that may be relevant to the audit.		
[Note: The ADAMS report is PAAS Report S.5.]		

Audit Steps	Initials	W/P
<p>5. For each PA grant, obtain from FEMA’s Management Information System, a list of the State’s Management Grants that were awarded by FEMA to the grantee for its oversight responsibilities and its required management participation in the grant.</p>		
<p>6. For each PA grant, interview the Response and Recovery Division Director and determine requirements and whether the grantee has complied with such requirements for submitting program progress reports to FEMA (44 CFR, Paragraph 13.40).</p>		
<p>7. For each PA grant, obtain from the Operations Support Division Director, a list of the obligations for Direct Federal Assistance (commonly referred to as mission assignments); and identify the tasks performed on behalf of the grantee. To help identify these tasks, review the mission assignment supporting records and interview appropriate Response & Recovery Division personnel.</p> <p>Note: The mission assignment documents must be analyzed in detail to identify, based upon the nature of the work performed, those that provided direct Federal assistance to the State and, therefore, require local matching funds (44 CFR, Paragraph 206.208). The FEMA regional offices should have files on the mission assignments for each disaster, but the support for each assignment (such as invoices and cost incurred records) is maintained at the FEMA Disaster Finance Center in Berryville, Virginia.</p>		

Audit Steps	Initials	W/P
III. PLANNING AT FEMA – INDIVIDUAL AND FAMILY (IFG)		
1. For each IFG, review the FEMA/State Agreement, the FEMA-approved State administrative plan for the grant [44 CFR 206.131(e)], and as deemed appropriate, obtain a copy of such documents for follow-up work at the grantee’s office.		
2. Perform a cursory review of the plans to determine if the required elements are included (see applicable audit steps under the Compliance with Major Laws & Regulations Section of this audit guide).		
3. Discuss with appropriate FEMA officials any weaknesses or non-compliance matters observed during the review of the plans and follow-up, where appropriate, with applicable State officials.		
4. Review IFG correspondence files and program guidelines (IFG Handbook), and discuss with FEMA officials the IFG award process (i.e. receipt and approval of applications, disbursement of grant funds, program management, mid-term and final reviews, quality control requirements, and the required close-out time frames). Document any questions, concerns, unclear matters, and potentially significant issues/problems for follow-up.		
5. Obtain management information reports (ADAMS or NEMIS, as applicable) from appropriate FEMA officials that show the activities for each grant; and review these reports to determine:		
a. the number of applications approved;		
b. the amount of funds available for disbursement to sub-recipients and for the grantee administrative expenses;		

Audit Steps	Initials	W/P
c. the amount of funds disbursed to sub-recipients; and		
d. other relevant information to understand the nature of activities under the grant.		
IV. PLANNING WORK AT FEMA - HAZARD MITIGATION (HM)		
<ol style="list-style-type: none"> 1. For each HM grant, review the FEMA-approved administrative plan (44 CFR 206.437) and determine if the required elements have been included. 2. Also, as deemed appropriate, obtain a copy of the administrative plans for follow-up work at the grantee's office. 		
<ol style="list-style-type: none"> 3. Review HM correspondence files and program guideline documents for additional background data on the grants; and document any questions, concerns, unclear matters, and potentially significant problems for follow-up work. 		
<ol style="list-style-type: none"> 4. Interview the Regional Hazard Mitigation Officer and review applicable records, as necessary, to obtain an understanding of the HM grant approval and monitoring process to include: <ol style="list-style-type: none"> a. the determination of the estimated HM grant amount; b. the Region's procedures in place to ensure that projects proposed for funding by the State complies with FEMA eligibility requirements in 44 CFR 206.434(b); and c. the Region's procedures for monitoring activities under the grant to ensure that work under projects was timely completed. 		
<ol style="list-style-type: none"> 5. For each HM grant, obtain a list of State Management Grants awarded to the grantee. 		

Audit Steps	Initials	W/P
6. For each HM grant, obtain from program officials the applicable management information reports (ADAMS or NEMIS, as applicable) that identify:		
a. the HM funding amounts approved for each project;		
b. the number and status of each approved project; and		
c. other relevant data showing activities under the grant.		
7. For each HM grant, interview the Region’s Hazard Mitigation Officer and review applicable records to ensure that the estimated HM grant award amount (the so-called “locked in amount”) was properly determined (44 CFR 206.432 (b).		
<p>8. Interview the Hazard Mitigation Officer to determine whether FEMA has entered into a <u>Memorandum of Understanding</u> (MOU) with the State that covers the management of selected Hazard Mitigation projects.</p> <p><u>Note:</u> FEMA implemented a pilot program in FY 2000 with selected states that is covered by a MOU. The MOU may have shifted responsibilities for determining eligible projects and provided for other types of funding to the State. Therefore, the auditors should obtain and review this agreement and ensure that the grantee has complied with the key provisions.</p>		
V. FIELD WORK – GRANTEE ENTRANCE CONFERENCE		
<p>A. Contact appropriate grantee officials to schedule an entrance conference, prepare a confirmation letter for issuance to the grantee, and forward a copy of the letter to the FEMA Regional Director and the FEMA Task Monitor.</p> <p><u>Note:</u> Various State agencies may be responsible for different aspects of the grant programs. Therefore, request that all appropriate State agencies be notified of the meeting.</p>		

Audit Steps	Initials	W/P
<p>B. Ensure that the audit announcement letter includes a listing of information required from the grantee to start fieldwork, such as applicable State policies and procedures, operating procedures, points of contact on program matters, etc.</p>		
<p>C. Conduct the entrance conference with appropriate grantee officials to include a discussion of the audit objectives, availability of records, timing of certain aspects of the audit, need for and the timing of periodic briefings, discussion of audit findings, and other issues or concerns.</p> <p><u>Note:</u> The auditors should solicit information from the grantee regarding operational problems, complaints, deficiencies in guidance provided by FEMA, known or suspected errors and/or irregularities in the financial data submitted to FEMA, difficulties in staffing the operations, etc. Further, the auditors should advise grantee officials that, at the end of the audit, a management representation letter would be required.</p>		
<p>D. Document in the working papers the names, titles, telephone numbers, and e-mail address of the officials attending the conference.</p>		
<p>E. Interview appropriate officials and review applicable records to determine the composition of Federal grants and other programs administered by the grantee to determine whether FEMA is the major Federal-funding source.</p> <p><u>Note:</u> This information should help the auditor plan for the detection of possible duplicate charges and unrelated grant charges where multiple Federal funding sources are involved.</p>		
<p>VI. FIELDWORK – INTERNAL CONTROLS</p> <p>The purpose of this section is to assess the adequacy of the grantee’s internal controls, to evaluate the level of management oversight and monitoring of the FEMA programs and projects, and to determine if work performed by other auditors is sufficient to rely on for internal control assessments.</p>		

Audit Steps	Initials	W/P
<p>A. Internal Controls</p> <p>1. Gather information on the grantee’s internal control structure to develop a clear understanding of the grantee’s internal controls associated with the disaster assistance programs.</p>		
<p>2. Determine whether the grantee’s internal control structure complies with Federal standards for financial management systems [44 CFR 13.20].</p>		
<p>B. Determine if FEMA grant expenditures have been included in the required A-133 audits. Obtain copies of all A-133 audits from the inception of the earliest disaster included in the scope of audit. <u>NOTE</u>: Information collections from non-Federal entities must have Paperwork Reduction Act (PRA) approval. The Compliance Supplement, Appendix B to Office of Management and Budget Circular A-133, cannot list a requirement for the auditor to test a report that does not have current PRA approval.</p>		
<p>C. Request copies of audit reports on the grantee’s operations and activities that are applicable to the FEMA disaster assistance grant programs.</p>		
<p>D. Review Other Auditors’ Work</p> <p>1. Review Single Audit Act reports on the grantee activities to determine whether the reports were prepared in accordance with the requirements of the Single Audit Act (44 CFR, Part 14).</p> <p><u>Notes</u>: This may require the auditors to contact the appropriate Federal cognizant audit agency.</p>		
<p>2. Analyze the reports for reportable conditions related to compliance with federal laws and regulations and internal controls and conduct follow-up inquiries to ensure that the grantee addressed the recommendations.</p>		

Audit Steps	Initials	W/P
3. Determine whether any of the reportable conditions may have had an impact on the current audit work. Where necessary, follow-up with the other auditors to ensure a full understanding of the reportable conditions.		
4. Determine if the grantee uses internal auditors for financial and performance reviews. Document the scope of the internal auditors work and utilize the audit results to the fullest extent possible.		
VII. FIELD WORK – FINANCIAL REPORTING		
<p>The purpose of this section is to determine (1) whether the grantee’s financial reports submitted to FEMA accurately reflected the disbursement made and expenditures incurred under the FEMA grant programs, and (2) whether the transactions were properly supported by the grantee’s records. This must be done for each disaster declaration and applicable program (PA, IFG, and HM) included in the audit scope.</p>		
A. Financial Status Reports		
1. Interview grantee officials to determine the procedures followed when preparing the quarterly Financial Status Reports (SF Form 269 or FEMA Form 20-10) for each program [44 CFR 13.41 (b)(1)].		
2. Obtain, where necessary, selected copies of the financial reports and trace the reported amount of program outlays (expenditures) to supporting accounting records.		
3. Select a representative sample of accounting entries to determine whether the expenditures reported to FEMA are supported by appropriate source documents.		

Audit Steps	Initials	W/P
<p>B. Federal Cash Transactions Reports</p> <p>1. At the grantee’s office, review a sample of the Federal Cash Transactions Reports (SF Form 272 or other similar documents) periodically sent to FEMA covering the drawdown of Federal funds under each grant program [44 CFR 13.41 (c)(1)].</p>		
<p>2. Analyze the reports to identify possible drawdowns of excessive Federal funds and conduct follow-up inquiries with appropriate grantee officials, where necessary, to determine disbursement dates for such funds.</p> <p><u>Note:</u> The grantee should disburse Federal funds within a three-day period. Federal funds on hand more than this period may be excessive.</p>		
<p>3. Finally, trace the reported drawdowns and disbursements to the grantee’s official accounting records. Select a representative sample of accounting entries for testing to ensure that the drawdowns and disbursements are properly supported by source documents.</p>		
<p>C. Sources and Applications of Funds</p> <p>1. Obtain from the grantee, or if necessary, prepare for each disaster declaration, a schedule identifying the:</p>		
<p>a. award amount by grant program (Federal funds and local matching contributions);</p>		
<p>b. source of funds (draw-downs of Federal funds and local matching contributions);</p>		
<p>c. application of funds (program outlays—disbursement to sub-grantees and IFG sub-recipients, and expenditures of funds by the grantee); and</p>		

Audit Steps	Initials	W/P
<p>d. remaining funds available under each major disaster assistance program.</p> <p><u>Note:</u> This data may be obtained from the Financial Status Reports and the Federal Cash Transactions Reports. However, the information on expenditures and disbursements must be consistent with the grantee's official accounting records. Where discrepancies are observed, the auditors should use such disbursement and expenditure data reflected in the grantee's official accounting records to prepare the source and application of funds schedule.</p>		
VIII. FIELD WORK – PUBLIC ASSISTANCE (PA)		
A. PA-Organizational Structure and Controls		
1. Review the PA administrative plan and, where necessary, interview appropriate officials to determine whether the plan includes the required elements as described by 44 CFR 206.207(b). Discuss with appropriate officials any weaknesses or areas of concern noted in the administrative plan.		
2. Interview appropriate officials to evaluate the grantee's basis for determining its staffing levels in terms of the number of employees and level of expertise [44 CFR 206.207 (b)(1)(iii)(J)].		
3. Determine whether the grantee's staff for the Public Assistance Grant Program appears adequate to perform the following required tasks required by 44 CFR 206.207:		
a. notifying potential applicants of the availability of PA funds and providing information on the application and the approval process for PA projects to assist such potential applications;		

Audit Steps	Initials	W/P
b. accounting for grant funds;		
c. monitoring sub-grantee activities;		
d. processing appeals from sub-grantees;		
e. processing requests from sub-grantees for time extensions and approved cost overruns;		
f. processing requests from sub-grantees for the advance of funds and reimbursement of costs; and		
g. ensuring that sub-grantees comply with the Single Audit Act requirements.		
B. PA-Cash Management		
1. Determine whether budgetary controls for the PA grant program are adequate to ensure that disbursements to sub-grantees do not exceed the approved award amounts (44 CFR 13.20).		
2. Compare the amount of Federal funds drawn-down from SMARTLINK to the amount of the disbursements by the grantee (payment of expenditures, and disbursements to sub-grantees), and determine whether the grantee disbursed the Federal funds in a timely manner (44 CFR 13.21).		
3. For disbursements to sub-grantees: a. Determine the propriety of the grantee's basis for making payments (reimbursement of expenditures, and/or fund advances) for the immediate needs of the sub-grantee.		
b. Where applicable, obtain a list of the advances to sub-grantees and determine whether the payments were adequately supported.		

Audit Steps	Initials	W/P
c. Determine how the grantee recorded payments due from sub-grantees and other types of receivables generated under the grant. Evaluate the procedures to determine whether they are adequate.		
d. If questionable controls for revenue transactions are noted, select a random sample of transactions, and trace the amounts from the revenue accounts to the source documents. Also, determine whether there is an adequate audit trail to identify the source(s) and purpose(s) of the funds. Identify those transactions that may involve unrecognized program income (44 CFR 13.21).		
<p data-bbox="282 758 997 793">C. PA – Compliance with Major Laws and Regulations</p> <p data-bbox="329 835 1130 940">The purpose of this section is to ensure that the grantee administered and managed the PA program in accordance with applicable FEMA rules and regulations.</p>		
1. Review the grantee’s accounting records and interview officials, as necessary, to gain an understanding of how the grantee manages Public Assistance sub-grants.		
2. Using the PAAS D.5 (ADAMS) or the appropriate NEMIS report, select a representative number of small and large PA projects and perform the following:		
a. Determine if the grantee made payments to the sub-grantees for small projects on a timely basis after FEMA approval [44 CFR 206.205(a)].		
b. Determine if the grantee has monitoring procedures to review construction progress and identify potential problems.		
c. Determine whether the work was completed within the time frames specified [44 CFR 206.204(c)]. If the work was not completed within the time frame specified, determine if appropriate time-extension requests were approved.		

Audit Steps	Initials	W/P
<p>d. Determine whether the grantee requires local entities and non-profit organizations to refund excess funds realized under small projects and, if so, determine how the grantee used or disposed of such funds.</p>		
<p>e. For large completed projects, review closeout documents and determine if the grantee had certified to FEMA that the costs reported were incurred for eligible work and that the projects were completed as agreed [44 CFR 206.205(b)].</p> <p><u>Note:</u> The auditors should document and evaluate State procedures leading up to the certification of completed work, such as final inspection of projects, audit of projects, periodic monitoring of project, etc.</p>		
<p>f. For several large projects that have not been completed, review the progress reports sent to FEMA and determine if the grantee had timely and accurately reported on the status of the work [44 CFR 206.204(f)].</p>		
<p>g. For selected sub-grantees, review the correspondence files to identify any appeals, requests for time-extensions, requests for approval of cost overruns, requests for final inspections, and other significant related issues. Determine if the grantee's actions in handling the above matters were performed in accordance with the required procedures, as stated in the FEMA approved Administrative Plans.</p>		
<p>3. Monitoring Sub-grantees:</p> <p>a. Interview appropriate PA officials and determine whether the grantee's policies and procedures include any type of periodic on-site monitoring of the sub-grantees.</p>		
<p>b. If so, determine the specific purpose(s) of the field visits and review the applicable reports prepared, if any.</p>		

Audit Steps	Initials	W/P
c. Also, determine during the interview whether the grantee requires its sub-grantees to periodically submit a status report on the approved projects.		
d. If so, review the status reports and determine whether they were adequate to assess the grantee’s reporting of the activities funded.		
e. Determine the type of PA guidance and assistance the grantee provided to sub-grantees on project requirements such as:		
(1) accountability and use of grant funds;		
(2) audits of costs claimed; and		
(3) retention of records supporting costs records. (44 CFR 13.37 and 13.42).		
f. Evaluate the information obtained above on the grantee’s process for monitoring sub-grants and determine whether the grantee has sufficient sub-grant monitoring procedures [44 CFR 13.40(a)].		
f. Determine whether grantee has procedures in place to ensure that: (1) Sub-grantees comply with the Single Audit Act [44 CFR 13.40(a) and 206.207(b)(1)(iii)(H)];		
(2) The audits are performed when required and the audit reports are forwarded to the grantee’s office.		
(3) Reviews of the audit reports are made to identify reportable conditions related to the sub-grant and to follow-up on corrective actions taken.		
D. PA – Management Grants and Administrative Allowances		

Audit Steps	Initials	W/P
<p>1. Interview appropriate grantee officials and determine the accounting procedures in place to account for the cost incurred under management grants and the statutory administrative allowance. Obtain detailed accounting records supporting the costs claimed under management grants and analyze the records to facilitate the selection of transactions for testing.</p>		
<p>2. Select, by cost category, from the account records a representative sample of expenditures supporting <u>management grants</u> and trace to the applicable supporting documents.</p>		
<p>3. Analyze the supporting documents to determine if the expenditures were for allowable costs, the recorded amounts agree with the supporting documentation, the transaction(s) were properly approved for payment, and there is support to show that the services were received (OMB Circular A-87 and 44 CFR 13.20).</p>		
<p>4. For costs associated with more than one program or project, review the supporting documentation to determine if the grantee used a proper allocation basis (OMB Circular A-87).</p>		
<p>5. In addition, analyze the supporting documentation to ensure that the expenses were not for extraordinary cost items covered by the statutory administrative cost allowance.</p> <p><u>Note:</u> Extraordinary administrative costs, such as overtime salaries, per diem and travel cost, of full-time State employees are funded under the statutory administrative cost allowance (see 44 CFR 206.228 for details).</p> <p>However, for disaster declared after October 30, 2000, the grantee should have received only a statutory administrative cost allowance to cover both direct cost and indirect cost associated with the administration of the PA program.</p>		

Audit Steps	Initials	W/P
<p>6. Determine whether the grantee claimed any indirect costs [44 CFR 206.228(b)]. If so, obtain and review the supporting indirect cost proposal, determine the propriety of the cost elements and ascertain if the proposal was reviewed and approved. Also, ensure that such costs were not funded as a direct cost under the grant (OMB Circular A-87, Attachment E).</p>		
<p>E. PA – Cost Share Matching Requirements</p>		
<p>1. Review the FEMA-State Disaster Assistance Agreement to identify the cost share matching requirements, and determine if FEMA provided a loan to the State to cover its matching share. (44 CFR 206.361).</p>		
<p>2. Obtain a copy of the loan agreement and determine if the grantee complied with the terms of the agreement (44 CFR 206.45).</p>		
<p>3. Determine if the grantee provided the required matching contributions for the programs.</p>		
<p>4. Verify the State’s compliance with the matching share requirement for direct federal assistance (44 CFR 206.208).</p> <p><u>Note:</u> These obligations are usually referred to as “mission assignments.” FEMA sometimes issues mission assignments to other Federal agencies on behalf of or as requested by the State. In most cases, FEMA reimburses the federal agencies for the costs of the assignment. FEMA Regional officials may have a list of the mission assignments for each disaster, but the support for these assignments (such as the invoices, final inspection reports, and costs incurred) are maintained at the FEMA Disaster Finance Center in Berryville, Virginia.</p>		
<p>a. For tasks performed on behalf of or requested by the State, review the supporting records and interview FEMA officials to determine whether there is a written agreement between FEMA and the grantee on the matching share requirement [44 CFR 206.208].</p>		

Audit Steps	Initials	W/P
b. Determine if FEMA received the matching funds required.		
IX. FIELD WORK – HAZARD MITIGATION (HM)		
A. HM- ORGANIZATIONAL STRUCTURE AND CONTROLS		
1. Determine whether the plan includes the required elements as described in 44 CFR 206.437(b). Discuss with appropriate officials any weaknesses or concerns noted in the administrative plan.		
2. Interview appropriate officials to evaluate the grantee’s basis for determining staffing levels for the HM program in terms of number of assigned employees and their level of expertise [44 CFR 206.437(b)(3)].		
3. Determine whether the grantee’s staff for the HM Program appears adequate to perform the following tasks required by 44 CFR 207.437(b)(4):		
a. identifying and notifying potential sub-grantees of the availability and purpose of program funds [44 CFR 206.437 (b)(4)(i)];		
b. ensuring that potential applicants are provided information on the applicant process, program eligibility requirements and key deadlines [44 CFR 206.437 (b)(4)(ii);		
c. establishing priorities for selection of mitigation project and determining an applicant’s eligibility for funding [44 CFR 206.437 (b)(4)(iii) and (v)];		
d. conducting environmental and floodplain management studies related to proposed projects when necessary [44 CFR 206.437 (b)(4)(iv)];		
e. processing requests for advances of funds and reimbursements [44 CFR 206.437 (b)(4)(vi)];		

Audit Steps	Initials	W/P
f. monitoring the progress of the projects [44 CFR 206.437 (b)(4)(vii)];		
g. reviewing and approving cost overruns, and processing appeals from sub-grantees [44 CFR 206.437 (b)(4)(viii)];		
h. ensuring that sub-grantees comply with Single Audit Act requirements [44 CFR 206.437 (b)(4)(xii)]; and		
i. promptly closing out projects and performing the final program closeouts.		
<p>B. HM – Cash Management</p> <p>1. Determine whether budgetary controls for the HM program are adequate to ensure that disbursements to sub-grantees do not exceed the approved award amounts (44 CFR 13.20).</p>		
<p>2. Compare the amount of Federal funds drawn-down from SMARTLINK to the disbursements by the grantee (payment of expenditures and disbursements to sub-grantees) and determine whether the grantee disbursed the Federal funds in a timely manner (44 CFR 13.21).</p>		
<p>3. For disbursements to sub-grantees:</p> <p>a. Determine the propriety of the grantee’s basis for making payments (reimbursement of expenditures, and/or fund advances) for the immediate needs of the sub-grantee.</p>		
<p>b. Where applicable, obtain a list of the advances to sub-grantees and determine whether the payments were adequately supported.</p>		
<p>c. Determine how the grantee recorded payments due from sub-grantees and other types of receivables generated under the grant. Evaluate the adequacy of the procedures.</p>		

Audit Steps	Initials	W/P
<p>d. If questionable controls for revenue transactions are noted, select a random sample of transactions, and trace the amounts from the revenue accounts to the source documents. Also, determine whether there is an adequate audit trail to identify the source(s) and purpose(s) of the funds. Identify those transactions that may involve unrecognized program income (44 CFR 13.21).</p>		
<p>C. HM – Compliance with Major Laws and Regulations</p>		
<p>1. Interview appropriate officials and review records, as necessary, to ensure that the State’s eligibility criteria for applicants meet the HM program requirements in 44 CFR 206.434(a).</p>		
<p>2. Evaluate the grantee’s criteria for ranking HM projects to ensure that the procedures are consistent with the HM program requirements in 44 CFR 206.434(b).</p>		
<p>3. Review a sample of Federally funded HM project files and interview HM officials, as necessary, to determine whether evidence exists to show that:</p>		
<p>a. the projects comply with the State hazard mitigation plans developed pursuant to Sections 404 and 409 of the Stafford Act, and conform with 44 CFR part 9, Flood Plain Management and Protection of Wetlands, and 44 CFR Part 10, Environmental Considerations, as necessary, and Section 406 of the Act [44 CFR 206.434(b)(1) and (3);</p>		
<p>b. the project(s) will solve a problem independently or constitute a functional portion of the solution where there is assurance that the project(s) will be completed within the agreed time frames [44 CFR 206.434(b)(4);</p>		
<p>c. the project(s) are cost-effective and will reduce the risk of future damage, hardship, or suffering that may occur in the future [44 CFR 206.434(b)(5); and</p>		

Audit Steps	Initials	W/P
d. the projects involving the acquisition of property or the relocation of structures meet the eligibility criteria in 44 CFR 206.434(d).		
4. Review several rejected projects and interview appropriate HM officials, as necessary, to determine whether a proper basis existed for rejecting the projects and that the applicant was promptly notified of such.		
5. Interview grantee officials and review records, as necessary, to ensure that FEMA HM program funds were not used as a substitute or replacement for funds that were available under other Federal programs [44 CFR 206.434(f)]. <u>Note:</u> FEMA funds can be provided in situations involving threats to life or serious public health concerns.		
6. Interview grantee officials and review records, as necessary, to ensure that the grantee did not use HM program funds to satisfy a matching requirement under other Federal programs [44 CFR 206.434 (g)].		
7. Using the HM Project Status Reports, select a number of approved projects and perform the following steps:		
a. verify that requests for advances of funds or reimbursement to sub-grantees were timely processed and properly supported [44 CFR 206.437(b)];		
b. verify that requests for approvals of sub-grantee cost overruns were adequately documented [44 CFR 206.438(b)];		
c. for on-going projects, review the progress reports submitted to FEMA and determine if the grantee accurately reported the status of work [44 CFR 206.438(c)];		
d. for on-going projects, review the project files to determine if effective monitoring has been performed. [44 CFR 206.437(b)]; and		

Audit Steps	Initials	W/P
e. for appeals, determine if the grantee's disposition actions were consistent with the FEMA approved administrative plan, properly documented, and timely transmitted to the sub-grantee.		
D. HM - Management Grants and Administrative Allowances		
1. Interview appropriate grantee officials and determine the accounting procedures in place to account for the cost incurred under management grants and the statutory administrative allowance. Obtain detailed accounting records supporting the costs claimed under management grants and analyze the records to facilitate the selection of transactions for testing.		
2. Select, by cost category, from the account records a representative sample of expenditures supporting <u>management grants</u> and trace to the applicable supporting documents.		
3. Analyze the supporting documents to determine if the expenditures were for allowable costs, the recorded amounts agree with the supporting documentation, the transaction(s) were properly approved for payment, and there is support to show that the services were received (OMB Circular A-87 and 44 CFR 13.20).		
4. For costs associated with more than one program or project, review the supporting documentation to determine if the grantee used a proper allocation basis (OMB Circular A-87).		

Audit Steps	Initials	W/P
<p>5. In addition, analyze the supporting documentation and ensure that the expenses were not for extraordinary cost items covered by the statutory administrative cost allowance.</p> <p><u>Note:</u> Extraordinary administrative costs (such as overtime salaries, per diem and travel costs) of full-time State employees are funded under the statutory administrative cost allowance (see 44 CFR 206.228 for details). However, for disasters declared after October 30, 2000, the grantee should have received only a statutory administrative cost allowance to cover both direct cost and indirect costs associated with the administration of the HM program.</p>		
<p>6. Determine whether the grantee claimed any indirect costs [44 CFR 206.228(b)]. If so, obtain and review the supporting indirect cost proposal, determine the propriety of the cost elements and ascertain if the proposal was reviewed and approved. Also, ensure that such costs were not funded as a direct cost under the grant (OMB Circular A-87, Attachment E).</p>		
<p>E. Cost Share Matching Requirements:</p> <p>1. Review the FEMA-State Disaster Assistance Agreement to identify the cost share matching requirements, and determine if FEMA provided a loan the State to cover its matching share. (44 CFR 206.361).</p>		
<p>2. Obtain a copy of the loan agreement and determine if the grantee complied with the terms of the agreement (44 CFR 206.45).</p>		
<p>3. Determine if the grantee provided the required matching contributions for the programs.</p>		

Audit Steps	Initials	W/P
X. FIELD WORK - INDIVIDUAL AND FAMILY GRANT (IFG)		
<p>A. IFG - Organizational Structure and Controls</p> <ol style="list-style-type: none"> 1. Interview appropriate officials and review records, as necessary, to determine if the State assigned sufficient staff to administer the IFG program. 2. Analyze the grantee’s FEMA-approved IFG Administrative Plans for each disaster to determine the adequacy of the staffing functions and the sources of staff to fill the required IFG program functions [44 CFR 206.131(e)((1)(viii)]. 3. Perform, as necessary, follow-up inquiries on discrepancies, unclear matters, or non-compliance issues that are observed. 		
<p>B. IFG – Cash Management</p>		
<ol style="list-style-type: none"> 1. Determine whether budgetary controls for the IFG program are adequate to ensure that disbursements to sub-recipients do not exceed the approved award amounts (44 CFR 13.20). 		
<ol style="list-style-type: none"> 2. Compare the amount of Federal funds drawn-down from SMARTLINK to the disbursements by the grantee (payment of expenditures, and disbursements to sub-recipients), and determine whether the grantee disbursed the Federal funds in a timely manner (44 CFR 13.21). 		
<ol style="list-style-type: none"> 3. For disbursements to sub-recipients: <ol style="list-style-type: none"> a. Determine the propriety of the grantee’s basis for making payments and whether it was consistent with the approved IFG administrative plan; and 		
<ol style="list-style-type: none"> <ol style="list-style-type: none"> b. Review and evaluate procedures followed to account for such expenditures under the IFG program. 		
<p>C. IFG – Compliance with Major Laws and Regulations</p>		

Audit Steps	Initials	W/P
1. Interview applicable officials and review records, as necessary, to ensure that the grantee implemented adequate procedures to:		
a. notify potential sub-recipients of the availability of IFG funds [44 CFR 206.131(e)(ii)(A)];		
b. determine applicant’s eligibility and the IFG amounts, and notify applicants of the State’s decision [44 CFR 206.131(e)(ii)(D)];		
c. verify sub-recipients’ expenditures for medical, dental, funeral, and “other” expenses claimed under the IFG [44 CFR 206.131(e)(ii)(C)];		
d. ensure that sub-recipient comply with the flood insurance requirement [44 CFR 206.131(e)(ii)(E)];		
e. identify duplicate benefits that have been received by sub-recipients under the IFG program and from other sources [44 CFR 206.131(e)(ii)(F)]; and		
f. process appeals from sub-recipients, update the IFG administrative plan each January and also immediately after each declaration. [44 CFR 206.131(e)(ii)(N)].		
2. For disbursements to IFG sub-recipients:		
a. Select a sample of payments to determine whether they were made timely and supported by the required source documents, such as inspection reports[44 CFR 13.20(b)].		
b. Also, determine whether the IFG program officials have adequate procedures in place to ensure that checks issued to sub-recipients have actually cleared the bank.		
c. Determine if IFG officials have adequate controls in place to prevent recipients from receiving funds in excess of the maximum amounts stated in the FEMA-approved administrative plan [44 CFR 206.131(a)].		

Audit Steps	Initials	W/P
<p>d. Determine if the grantee has policies and procedures in place for collecting excess or erroneous payments made to sub-recipients, and ensure that all such payments were returned to FEMA within 30 days. [44 CFR 206.131(e)].</p>		
<p>e. Determine if any IFG applications were accepted after the 60 days limit following the date of the disaster declaration and ensure that, in all such cases, the grantee obtained FEMA’s approval [44 CFR 206.131(j)(1)(ii)].</p> <p><u>Note:</u> The FEMA Regional Office may grant a 30-day extension to the time limit.</p>		
<p>3. Determine if the grantee completed all grant award activity within 180 days following the disaster declaration date [44 CFR 206.131(e)(iii)], and submitted a final closeout report to FEMA within 90 days after completion of all grant award activities [44 CFR 206.131(j)(iv)].</p> <p><u>Note:</u> The FEMA Regional Office can approved an extension of up to 60-days with proper justification. The FEMA Associate Director, Response & Recovery Directorate, must approve any additional time extensions.</p>		
<p>4. Determine if FEMA performed the required 30-day review and final review of the IFG program and provided timely feedback to the grantee on areas that should be improved in the grantee’s administration of the program.</p>		
<p>5. Interview appropriate officials and review records, as necessary, to identify the percentage of administrative cost that the grantee could or has claimed under selected grants (the percentage should not exceed 5% of amount awarded to the sub-recipients) [44 CFR 206.131(a)].</p>		

Audit Steps	Initials	W/P
<p>6. Where deemed necessary, select a sample of expenditures and examine the supporting documentation to ensure that allowable cost has been claimed under the IFG program [OMB Circular A-87; and 44 CFR, Part 13].</p> <p><u>Note:</u> The auditors should rely upon the grantee’s system of internal controls, to the maximum extent possible, and perform the above substantive testing procedure only where internal control weaknesses are observed.</p>		
<p>7. Cost share matching requirements:</p> <p>a. Review the FEMA/State Agreement to identify the cost share matching requirement and determine whether the grantee obtained a loan from FEMA to satisfy the matching requirement.</p>		
<p>b. Obtain a copy of the loan agreement, if any, and determine if the grantee complied with the terms of the agreement. (44 CFR 206.45).</p>		
<p>c. Examine records, as necessary, to ensure that the grantee has met the cost share matching requirements [44 CFR 206.131(a) and 13.24].</p>		
XI. FIELD WORK – PROCUREMENT		
<p>A. Interview appropriate officials and review documents, as necessary, to identify the State’s procurement policies that the grantee is required to follow and ensure that the grantee has complied with applicable State procedures [44 CFR 13.36].</p>		
<p>B. Evaluate the State’s procurement procedures and ensure that they meet Federal procurement standards specified in 44 CFR 13.36(b).</p> <p><u>Note:</u> States are not required to adopt Federal procurement standards, however, the State’s procedures must meet or exceed the Federal procurement standards and requirements.</p>		

Audit Steps	Initials	W/P
XII. FIELD WORK – PROPERTY MANAGEMENT		
<p>A. Interview officials and review records, as necessary, to evaluate the grantee’s controls over accountable property and equipment donated by FEMA or acquired under the grant [44 CFR 13.31 and 13.32].</p>		
<p>B. Determine if the grantee maintained a listing of accountable property showing the acquisition basis, use and/or disposition of such property.</p>		
<p>C. Determine if the grantee requested disposition instructions from FEMA for accountable property and if the proceeds, if any, from the sale of the property were recorded and accounted for as instructed by FEMA.</p>		
<p>D. Determine whether the grantee conducted physical inventories of accountable property every two years, as required [44 CFR 13.32(d)(2)].</p>		
XIII. AUDIT CLOSEOUT AND REPORTING		
<p>The purpose of this section is to specify essential activities that the auditors must perform at the completion of fieldwork. This includes conducting the exit conferences and preparing and processing both the draft and final report.</p> <p>A. Closeout Discussion with the Grantee (including a discussion of the Management Representation Letter)</p> <ol style="list-style-type: none"> 1. Prepare a summary of tentative findings that may be included in the final audit report issued on the grantee’s activities and ensure that the OIG Task Monitor is fully aware of and generally agrees with each proposed finding. 		

Audit Steps	Initials	W/P
<p>2. Prior to leaving the audit site, discuss the proposed findings with key grantee officials and obtain their views regarding the accuracy of the conditions and possible corrective actions that can be taken.</p> <p>B. Prepare a summary of the proposed management issues that may be included in a management letter to FEMA, and discussion each issue with the OIG Task Monitor prior to departing from the audit site.</p> <p><u>Note:</u> The auditors must obtain the views of FEMA management officials prior to issuing a management letter.</p>		
<p>C. Prepare the draft audit report for review and approval by the FEMA-OIG. Upon approval, the OIG Task Monitor shall confirm an exit conference date with appropriate FEMA Regional officials and the grantee officials.</p> <p><u>Note:</u> The FEMA-OIG is responsible for sending the draft audit report to the FEMA Regional Office and also to the grantee. This will be done prior to the date of the exit conference to facilitate discussions of the findings and recommendations in the draft report.</p>		
<p>D. Hold a separate exit conference with the FEMA Regional Office and the grantee.</p> <p>1. Discuss the audit objectives, the findings and recommendations, and noteworthy observations.</p>		
<p>2. Solicit comments from the officials on any planned corrective actions, the timing for the implementation of such actions, and document the comments in the working papers.</p>		
<p>3. Provide the grantee with an appropriately developed management representation letter for signature.</p>		

Audit Steps	Initials	W/P
4. Record the name, title, and telephone numbers of the officials attending the exit conferences.		
E. Quality Control and Final Reporting		
<p>1. The audit work should be performed in a manner consistent with this audit guide. Where deviations are necessary, the auditors are required to fully document in the working papers their reasons for deviating and the alternative procedures performed, if any.</p> <p>2. The auditors' working papers and audit report must be prepared in accordance with Government Auditing Standards; and the facts, conclusions and/or statements presented in the audit report must be cross-referenced to the supporting working papers.</p>		
3. After thoroughly analyzing the response to the draft audit report, the auditors shall prepare the final report and, where necessary, document the views of the program officials within each finding.		
4. Prepare and submit the final audit report to the FEMA-OIG for review, approval, and issuance to the FEMA Regional Office.		
5. Prepare and submit the FEMA management letter to the OIG Task Monitor for proper follow-up and disposition actions.		